

**WATERWORKS DISTRICT NO. 9  
OF WARD 4 OF CALCASIEU  
PARISH, LOUISIANA  
Sulphur, Louisiana**

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**Annual Financial Report  
December 31, 2013 and 2012**

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Waterworks District No. 9 of Ward 4  
of Calcasieu Parish, Louisiana  
Sulphur, Louisiana

### **Report on the Financial Statements**

I have audited the accompanying financial statements of Waterworks District 9 of Ward 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Board of Commissioners  
Waterworks District No. 9 of Ward 4  
of Calcasieu Parish, Louisiana

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District 9 of Ward 4 of Calcasieu Parish, Louisiana as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued a report dated April 14, 2014 on my consideration of Waterworks District 9 of Ward 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District 9 of Ward 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana  
April 14, 2014

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2013**

The Management's Discussion and Analysis of the Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended December 31, 2013. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

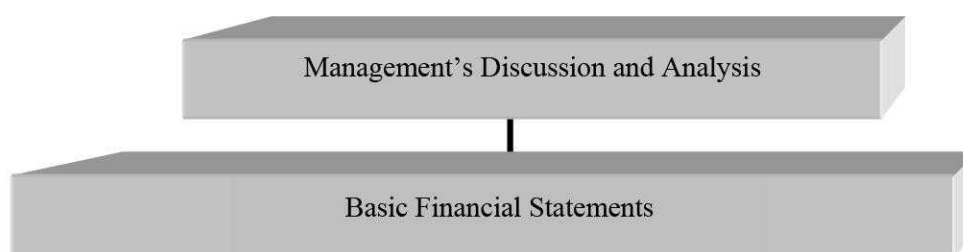
**FINANCIAL HIGHLIGHTS**

The District's assets exceeded its liabilities at the close of 2013 by \$9,302,942 which represents a 5.0% increase from last fiscal year. Of this amount, \$3,416,404 (unrestricted net assets) may be used to meet the District's ongoing obligations to its users.

The District's operating revenue decreased \$205,192 (or 11.0%) and the net results from operations decreased by \$155,801. A significant portion of this decrease in net results from operations is due to the decrease in operating revenues caused by a reduction in water rates charged to customers.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.



These financial statements consist of two sections - Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2013**

**Basic Financial Statements**

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position (pages 7 - 8) presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The District's assets plus deferred outflows of resources minus their liabilities and deferred inflows of resources equals the net position. The net position of the District may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Fund Net Position (page 9) presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statements (pages 10 - 11) presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

**FINANCIAL ANALYSIS OF THE ENTITY**

|                                     | 2013         | 2012         | 2011         |
|-------------------------------------|--------------|--------------|--------------|
| Current assets                      | \$ 3,577,557 | \$ 4,821,957 | \$ 4,105,938 |
| Capital assets                      | 7,826,538    | 6,765,557    | 7,210,597    |
| Total Assets                        | 11,404,095   | 11,587,514   | 11,316,535   |
| Other liabilities                   | 161,153      | 38,777       | 31,683       |
| Long-term debt outstanding          | 1,940,000    | 2,685,000    | 2,957,161    |
| Total Liabilities                   | 2,101,153    | 2,723,777    | 2,988,844    |
| Net position:                       |              |              |              |
| Net investment in capital assets    | 5,886,538    | 4,080,557    | 4,253,436    |
| Amounts restricted for debt service | -0-          | 365,624      | 376,836      |
| Unrestricted amounts                | 3,416,404    | 4,417,556    | 3,697,419    |
| Total Net Position                  | \$ 9,302,942 | \$ 8,863,737 | \$ 8,327,691 |

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2013**

Restricted net position amounts represent those assets that are not available for spending as a result of bond agreements. Conversely, unrestricted net position amounts are those that do not have any limitations for which they may be used.

Net position of the District increased by \$439,205, or 5.0%, from December 31, 2012 to December 31, 2013.

|   | 2013         | 2012         | 2011         |
|---|--------------|--------------|--------------|
| Operating revenues                      | \$ 1,658,913 | \$ 1,864,105 | \$ 2,079,695 |
| Operating expenses                      | (1,454,309)  | (1,503,700)  | (1,508,674)  |
| Operating income (loss)                 | 204,604      | 360,405      | 571,021      |
| Non-operating revenues (expenses)       | 234,601      | 418,827      | 495,562      |
| Net increase (decrease) in net position | \$ 439,205   | \$ 779,232   | \$ 1,066,583 |

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of December 31, 2013, the District had \$7,826,538, net of accumulated depreciation, invested in a broad range of capital assets, including land, right of ways, plant and distribution system, and furniture, fixtures, and equipment. (see table below). This amount represents a net increase (including additions and deductions) of \$1,060,981, or 15.7%, from last year.

|                                    | 2013         | 2012         | 2011         |
|------------------------------------|--------------|--------------|--------------|
| Land and Right of Ways             | \$ 113,486   | \$ 113,486   | \$ 113,486   |
| Plant and Distribution System      | 13,489,465   | 13,379,633   | 13,362,487   |
| Furniture, Fixtures, and Equipment | 216,590      | 190,935      | 178,075      |
| Construction in progress           | 1,323,597    | 49,088       | 130,048      |
| Less Accumulated Depreciation      | (7,316,600)  | (6,967,585)  | (6,573,499)  |
| Totals                             | \$ 7,826,538 | \$ 6,765,557 | \$ 7,210,597 |

This year's Major Capital additions included above were:

- Existing Water Plant Improvement Project \$ 1,274,509
- Various Water Line Extensions \$ 35,640
- Bores & Meter Installations \$ 54,275

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2013**

**Debt**

The District had \$1,940,000 in bonds outstanding at year-end, compared to \$2,685,000 last year, a decrease of 27.7%. A summary of this debt is shown in the table below.

Outstanding Debt at Year-end

|                          | <u>2013</u>         | <u>2012</u>         | <u>2011</u>         |
|--------------------------|---------------------|---------------------|---------------------|
| Revenue Bonds            | \$ 1,940,000        | \$ 2,490,000        | \$ 2,750,000        |
| General Obligation Bonds | <u>-0-</u>          | <u>195,000</u>      | <u>380,000</u>      |
| Totals                   | <u>\$ 1,940,000</u> | <u>\$ 2,685,000</u> | <u>\$ 3,130,000</u> |

The District issued \$1,990,000 of its Water Revenue Refunding Bonds, 2013 Series, during the fiscal year ending December 31, 2013. The bonds were dated November 19, 2013. These bonds were issued for the purpose of refunding the outstanding Water Revenue Refunding Bonds, Series 2004 and paying the cost of issuing the bonds.

The District's Revenue bonds are AAA insured. The District's General Obligation bonds were un-rated.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Alice Webb, District Supervisor, Waterworks District No. 9 of Ward 4 of Calcasieu Parish.



**Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana**  
**Sulphur, Louisiana**  
**Statements of Net Position**  
**As of December 31,**

| <b>ASSETS</b>   | <b>2013</b>                 | <b>2012</b>                 |
|---|-----------------------------|-----------------------------|
| <b>CURRENT ASSETS</b>   |                             |                             |
| Cash and cash equivalents   | \$ 488,948                  | \$ 993,792                  |
| Investments   | 2,328,796                   | 2,341,813                   |
| Restricted assets:  |                             |                             |
| Cash and cash equivalents - construction  | 3                           | 3                           |
| Cash and cash equivalents - revenue bonds   | 42,720                      | 20,746                      |
| Cash - sinking fund - general obligations bonds   | -                           | 85,237                      |
| Certificate of deposit - revenue bonds  | -                           | 47,030                      |
| Investments - revenue bonds   | -                           | 428,005                     |
| Investments - construction  | 49,705                      | 112,688                     |
| Taxes receivable - ad valorem - sinking fund  | -                           | 139,775                     |
| Receivables - net of allowance for uncollectibles of \$81,600 for 2013 and \$74,093 for 2012: |                             |                             |
| Water accounts  | 138,796                     | 140,654                     |
| Unbilled  | 118,271                     | 114,124                     |
| Taxes - ad valorem - maintenance  | 337,341                     | 335,460                     |
| Inventory   | 55,803                      | 43,156                      |
| Prepaid expenses  | 17,174                      | 19,474                      |
| Total Current Assets  | <u>3,577,557</u>            | <u>4,821,957</u>            |
| <b>PROPERTY, PLANT, AND EQUIPMENT</b>   |                             |                             |
| Furniture, fixtures, and equipment  | 121,715                     | 121,715                     |
| Vehicles  | 94,875                      | 69,220                      |
| Plant and distribution system   | 13,489,465                  | 13,379,633                  |
|   | <u>13,706,055</u>           | <u>13,570,568</u>           |
| Less: accumulated depreciation and amortization   | <u>(7,316,600)</u>          | <u>(6,967,585)</u>          |
|   | 6,389,455                   | 6,602,983                   |
| Construction in progress  | 1,323,597                   | 49,088                      |
| Land  | 113,486                     | 113,486                     |
| Net Property, Plant, and Equipment  | <u>7,826,538</u>            | <u>6,765,557</u>            |
| <b>TOTAL ASSETS</b>   | <u><u>\$ 11,404,095</u></u> | <u><u>\$ 11,587,514</u></u> |

The accompanying notes are an integral part of the financial statements.

**Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana**  
**Sulphur, Louisiana**  
**Statements of Net Position (Continued)**  
**As of December 31,**

|   | <b>2013</b>         | <b>2012</b>         |
|---|---------------------|---------------------|
| <b>LIABILITIES</b>  |                     |                     |
| <b>CURRENT LIABILITIES</b>                                  |                     |                     |
| Accounts payable  | \$ 153,891          | \$ 25,780           |
| Payroll taxes and retirement payable                        | 4,952               | 8,969               |
| Wages payable   | 2,310               | 1,168               |
| Total Current Liabilities                                   | <u>161,153</u>      | <u>35,917</u>       |
| <b>CURRENT LIABILITIES (Payable from Restricted Assets)</b> |                     |                     |
| Interest payable  | -                   | 2,860               |
| Due within one year - revenue bonds                         | 310,000             | 270,000             |
| Due within one year - general obligation bonds              | -                   | 195,000             |
| Total Current Liabilities (Payable From Restricted Assets)  | <u>310,000</u>      | <u>467,860</u>      |
| <b>LONG-TERM LIABILITIES</b>                                |                     |                     |
| Due in more than one year - revenue bonds                   | <u>1,630,000</u>    | <u>2,220,000</u>    |
| Total Long-Term Liabilities                                 | <u>1,630,000</u>    | <u>2,220,000</u>    |
| <b>TOTAL LIABILITIES</b>                                    | <u>2,101,153</u>    | <u>2,723,777</u>    |
| <b>NET POSITION</b>   |                     |                     |
| Net investment in capital assets                            | 5,886,538           | 4,080,557           |
| Amounts restricted for debt service                         | -                   | 365,624             |
| Unrestricted amounts  | <u>3,416,404</u>    | <u>4,417,556</u>    |
| <b>TOTAL NET POSITION</b>                                   | <u>\$ 9,302,942</u> | <u>\$ 8,863,737</u> |

The accompanying notes are an integral part of the financial statements.

**Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana  
Sulphur, Louisiana  
Statements of Revenues, Expenses, and Changes in Net Position  
For The Years Ended December 31,**

|  | <b>2013</b>  | <b>2012</b>  |
|--|--------------|--------------|
| <b>OPERATING REVENUES</b>  |              |              |
| Water sales and fees   | \$ 1,658,913 | \$ 1,864,105 |
| <b>OPERATING EXPENSES</b>  |              |              |
| Wages  | 319,882      | 301,825      |
| Payroll tax and employee benefits  | 126,878      | 120,459      |
| Commissioner fees  | 6,440        | 4,560        |
| Depreciation expense   | 361,575      | 394,086      |
| Insurance  | 77,338       | 75,753       |
| Accounting and legal expenses  | 18,438       | 150,106      |
| Meter reading  | 67,253       | 66,191       |
| Miscellaneous  | 33,306       | 31,740       |
| Office supplies  | 32,504       | 29,798       |
| Plant supplies   | 160,352      | 173,074      |
| Repairs and maintenance  | 73,405       | 38,231       |
| Telephone  | 15,697       | 15,934       |
| Utilities  | 77,171       | 59,436       |
| Vehicle expense  | 23,892       | 33,352       |
| Contract labor   | 2,515        | 320          |
| Bond issue costs   | 50,156       | -            |
| Bad debt expense   | 7,507        | 8,835        |
| Total Operating Expenses   | 1,454,309    | 1,503,700    |
| <b>INCOME FROM OPERATIONS</b>  | 204,604      | 360,405      |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>   |              |              |
| Ad valorem taxes - sinking fund  | -            | 149,134      |
| Ad valorem taxes - maintenance   | 348,653      | 357,920      |
| Investment income  | 9,172        | 11,937       |
| Realized loss on sale of investments   | (17,051)     | -            |
| Joint service income   | 12,742       | 12,961       |
| Miscellaneous  | 7,183        | 3,069        |
| Revenue sharing  | 6,107        | 7,926        |
| Interest expense   | (132,205)    | (124,120)    |
| Total Non-Operating Revenues   | 234,601      | 418,827      |
| <b>CHANGE IN NET POSITION</b>  | 439,205      | 779,232      |
| <b>NET POSITION - BEGINNING OF YEAR, UNADJUSTED</b>                                      | 8,863,737    | 8,327,691    |
| <b>PRIOR PERIOD ADJUSTMENT: CHANGE IN ACCOUNTING PRINCIPLE (AS DESCRIBED IN NOTE 14)</b> | -            | (243,186)    |
| <b>NET POSITION - BEGINNING OF YEAR, AS RESTATED</b>                                     | 8,863,737    | 8,084,505    |
| <b>NET POSITION - END OF YEAR</b>  | \$ 9,302,942 | \$ 8,863,737 |

The accompanying notes are an integral part of the financial statements.

**Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana**  
**Sulphur, Louisiana**  
**Statements of Cash Flows**  
**For The Years Ended December 31,**

|  | <u><b>2013</b></u>       | <u><b>2012</b></u>         |
|--|--------------------------|----------------------------|
| <b>Cash Flows From Operating Activities:</b>                         |                          |                            |
| Receipts from customers and users                                    | \$ 1,649,117             | \$ 1,890,661               |
| Payments to suppliers  | (760,207)                | (658,479)                  |
| Payments to employees  | (318,740)                | (307,379)                  |
| Other  | (10,347)                 | (5,371)                    |
| Net Cash Provided (Used) by Operating Activities                     | <u>559,823</u>           | <u>919,432</u>             |
| <b>Cash Flows From Investing Activities:</b>                         |                          |                            |
| Investment income  | 9,172                    | 11,937                     |
| Realized loss on sale of investments                                 | (17,051)                 | -                          |
| Cash received (paid) for certificates of deposit                     | (23)                     | (71)                       |
| Cash received (paid) for Investments in LAMP and mutual funds, net   | 551,058                  | (424,718)                  |
| Net Cash Provided (Used) by Investing Activities                     | <u>543,156</u>           | <u>(412,852)</u>           |
| <b>Cash Flows From Capital and Related Financing Activities:</b>     |                          |                            |
| Capital expenditures for plant and equipment                         | (1,306,460)              | (74,160)                   |
| Cash received from issuance of bonds                                 | 1,990,000                | -                          |
| Principal payments on bonds  | (2,735,000)              | (445,000)                  |
| Cash received for ad valorem taxes                                   | 486,547                  | 608,356                    |
| Intergovernmental - revenue sharing and riverboat funds              | 18,849                   | 20,887                     |
| Interest expense   | (132,205)                | (124,120)                  |
| Miscellaneous  | 7,183                    | 3,069                      |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(1,671,086)</u>       | <u>(10,968)</u>            |
| <b>Net Increase (Decrease) in Cash</b>                               | (568,107)                | 495,612                    |
| <b>Cash and Cash Equivalents - Beginning of Year</b>                 | <u>1,099,778</u>         | <u>604,166</u>             |
| <b>Cash and Cash Equivalents - End of Year</b>                       | <u><u>531,671</u></u>    | <u><u>1,099,778</u></u>    |
| <b>Cash and Cash Equivalents:</b>                                    |                          |                            |
| Cash - unrestricted  | 488,948                  | 993,792                    |
| Cash - restricted  | 42,723                   | 105,986                    |
|  | <u><u>\$ 531,671</u></u> | <u><u>\$ 1,099,778</u></u> |

The accompanying notes are an integral part of the financial statements.

**Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana**  
**Sulphur, Louisiana**  
**Statements of Cash Flows (Continued)**  
**For The Years Ended December 31,**

|  | <u>2013</u>              | <u>2012</u>              |
|--|--------------------------|--------------------------|
| <b>Reconciliation of Operating Income to Net Cash</b>  |                          |                          |
| <b>Provided (Used) by Operating Activities:</b>  |                          |                          |
| Operating income (loss)  | \$ 204,604               | \$ 360,405               |
| Adjustments to reconcile net operating income<br>to net cash provided by operating activities: |                          |                          |
| Depreciation   | 361,575                  | 394,086                  |
| Provisions for bad debts   | 7,507                    | 8,835                    |
| Project cost write-off   | -                        | 125,114                  |
| (Increase) decrease in receivables   | (9,796)                  | 18,774                   |
| (Increase) decrease in prepaid insurance   | 2,300                    | (1,620)                  |
| (Increase) decrease in inventory   | (12,647)                 | 6,744                    |
| Increase (decrease) in accounts payable<br>and other accrued expenses                          | <u>6,280</u>             | <u>7,094</u>             |
| Total Adjustments  | <u>355,219</u>           | <u>559,027</u>           |
| <b>Net Cash Provided (Used) by Operating Activities</b>  | <u><u>\$ 559,823</u></u> | <u><u>\$ 919,432</u></u> |
| <b>Supplemental Disclosure:</b>  |                          |                          |
| Cash paid for interest   | <u><u>\$ 135,065</u></u> | <u><u>\$ 126,833</u></u> |

The accompanying notes are an integral part of the financial statements.

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements  
December 31, 2013 and 2012**

***Note 1 - Summary of Significant Accounting Policies***

The accounting policies of Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana conform to generally accepted accounting principles as applicable to governmental units. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

**Financial Reporting Entity**

This report includes all funds and account groups which are controlled by or dependent on the Commissioners. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Based on the foregoing criteria, the Waterworks District No. 9 has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana. The district is a component unit of the Calcasieu Parish Police Jury.

**Fund Accounting**

The accounts of the district are organized on the basis of a proprietary fund, which is considered a separate accounting entity or enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Basis of Accounting**

The District has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments".

The district uses the accrual basis of accounting. The revenues are recognized when they are earned, and expenses are recognized when incurred.

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2013 and 2012**

***Note 1 - Summary of Significant Accounting Policies (Continued)***

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Accounts Receivable**

Accounts receivable are stated at cost less an allowance for doubtful accounts. Accounts are considered delinquent when 30 days past due (based on days since last payment). The allowance account consists of an estimate of uncollectible specifically identified accounts and a general reserve. Management's evaluation of the adequacy of the allowance is based on a continuing review of all accounts and includes a consideration of past user history, any adverse situations that might affect the user's ability to repay, and current economic conditions. The need for an adjustment to the allowance is considered at year end. Amounts charged-off that are subsequently recovered are recorded as income.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2013 and 2012**

***Note 1 - Summary of Significant Accounting Policies (Continued)***

**Property, Plant, and Equipment and Long-Term Liabilities**

The proprietary fund is accounted for on a cost of services or capital maintenance measurement focus, and all assets and liabilities (whether current or non-current) associated with its activity are included in the statement of net position.

Depreciation of all exhaustible fixed assets is charged as an expense against the operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

|                                    |               |
|------------------------------------|---------------|
| Furniture, fixtures, and equipment | 3 - 40 years  |
| Vehicles                           | 5 years       |
| Plant and distribution system      | 15 - 40 years |

All fixed assets are stated at historical cost. All property and equipment in excess of \$1,000 are capitalized. Depreciation amounted to \$361,575 for the year ended December 31, 2013 and \$394,086 for the year ended December 31, 2012.

**Cash and Cash Equivalents**

The District considers all short-term investments with an original maturity of three months or less to be cash equivalents.

**Inventory**

Inventory is valued at the lower of cost (first-in, first-out) or market.

***Note 2 - Ad Valorem Taxes***

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Parish in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1st of the following year.

For the year ended December 31, 2013, taxes of 2.4 mills were levied on property with assessed valuations, net of homestead exemption. Total taxes levied were \$349,424. Taxes receivable at December 31, 2013 were \$337,341, all of which were considered collectible. The 2.4 mills were dedicated to the maintenance fund.



**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana**

**Notes to Financial Statements (Continued)  
December 31, 2013 and 2012**

***Note 3 - Changes in Long-Term Debt***

The District issued \$1,990,000 of its Water Revenue Refunding Bonds, 2013 Series, during the fiscal year ending December 31, 2013. The bonds were dated November 19, 2013. These bonds were issued for the purpose of refunding the outstanding Water Revenue Refunding Bonds, Series 2004 and paying the cost of issuing the bonds. The refunding was undertaken to reduce total future debt service payments over the next seven years by the net present value of \$115,062.

The following is a summary of bond payable transactions of the District for the years ended December 31, 2013 and 2012:

|                                  | General<br>Obligation | Revenue             | Total               |
|----------------------------------|-----------------------|---------------------|---------------------|
| Outstanding at December 31, 2011 | \$ 380,000            | \$2,750,000         | \$3,130,000         |
| Bonds Retired                    | ( 185,000 )           | ( 260,000 )         | ( 445,000 )         |
| Outstanding at December 31, 2012 | <u>\$ 195,000</u>     | <u>\$2,490,000</u>  | <u>\$2,685,000</u>  |
|                                  | General<br>Obligation | Revenue             | Total               |
| Outstanding at December 31, 2012 | \$ 195,000            | \$ 2,490,000        | \$ 2,685,000        |
| Bonds Issued                     | -0-                   | 1,990,000           | 1,990,000           |
| Bonds Retired                    | ( 195,000 )           | ( 2,540,000 )       | ( 2,735,000 )       |
| Outstanding at December 31, 2013 | <u>\$ -0-</u>         | <u>\$ 1,940,000</u> | <u>\$ 1,940,000</u> |

Long-term debt consists of the following at December 31:

| <u>General obligation bonds:</u>   | <u>2013</u> | <u>2012</u> |
|--|-------------|-------------|
| \$2,000,000 General Obligation Waterworks Improvement Bonds of Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana due in annual installments of \$75,000 to \$195,000 through March 1, 2013; interest at 4.1 % to 8.0% | \$ -0-      | \$195,000   |

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2013 and 2012**

***Note 3 - Changes in Long-Term Debt (Continued)***

| <u>Revenue bonds:</u>   | <u>2013</u> | <u>2012</u>  |
|---|-------------|--------------|
| \$4,225,000 Waterworks Revenue Refunding Bonds,<br>Series 2004, due in annual installments of \$20,000<br>to \$1,650,000 through January 1, 2021; interest at<br>3.0% to 4.125% | \$ -0-      | \$ 2,490,000 |
| \$1,990,000 Waterworks Revenue Refunding Bonds,<br>Series 2013, due in annual installments of \$50,000<br>to \$340,000 through January 1, 2020; interest at<br>1.84%            | \$1,940,000 | \$ -0-       |

The annual requirements to amortize all debt outstanding as of December 31, 2013, are as follows:

| <u>Revenue Bonds</u>        |                     |                   |                     |
|-----------------------------|---------------------|-------------------|---------------------|
| Year Ending<br>December 31, | Principal           | Interest          | Total               |
| 2014                        | \$ 310,000          | \$ 35,696         | \$ 345,696          |
| 2015                        | 315,000             | 29,992            | 344,992             |
| 2016                        | 320,000             | 24,196            | 344,196             |
| 2017                        | 325,000             | 18,308            | 343,308             |
| 2018                        | 330,000             | 12,328            | 342,328             |
| 2019                        | <u>340,000</u>      | <u>6,256</u>      | <u>346,256</u>      |
| Total                       | <u>\$ 1,940,000</u> | <u>\$ 126,776</u> | <u>\$ 2,066,776</u> |

The revenue bonds are to be retired from the income and revenues derived from the operation of the System of the Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana.

***Note 4 - Accumulated Unpaid Vacation and Sick Pay***

There was no liability for accumulated unpaid vacation and sick pay at December 31, 2013 and 2012.

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana**

**Notes to Financial Statements (Continued)  
December 31, 2013 and 2012**

***Note 5 - Board of Commissioners' Fees***

Members of the Board of Commissioners are paid a per diem allowance for attending board meetings. The total expenses for meetings attended during the year are as follows:

|                | 2013            | 2012            |
|----------------|-----------------|-----------------|
| Mary Ellender  | \$ 860          | \$ 900          |
| Larry Mouton   | 1,320           | 900             |
| Byron Chamblee | 1,320           | 1,140           |
| Vito Tramonte  | 1,320           | 900             |
| Carson Carson  | -0-             | 360             |
| Richard Boenig | 1,320           | 360             |
| Theresa Bell   | 300             | -0-             |
| Total          | <u>\$ 6,440</u> | <u>\$ 4,560</u> |

***Note 6 - Cash, Cash Equivalents, and Investments***

At December 31, 2013 and 2012, the District had cash and certificates of deposit (book balances) as follows:

|                        | 2013              | 2012                |
|------------------------|-------------------|---------------------|
| Demand deposits        | \$ 531,071        | \$ 1,098,978        |
| Certificate of deposit | 47,053            | 47,030              |
| Total                  | <u>\$ 578,124</u> | <u>\$ 1,146,008</u> |

A reconciliation of cash and certificates of deposit follows:

|   | 2013              | 2012                |
|---|-------------------|---------------------|
| Cash on hand                                      | \$ 600            | \$ 800              |
| Carrying amount of deposits                       | 578,124           | 1,146,008           |
|   | <u>\$ 578,724</u> | <u>\$ 1,146,808</u> |
| Cash and cash equivalents                         | \$ 531,671        | \$ 1,099,778        |
| Certificates of deposit<br>(non-cash equivalents) | 47,053            | 47,030              |
|   | <u>\$ 578,724</u> | <u>\$ 1,146,808</u> |

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2013 and 2012**

***Note 6 - Cash, Cash Equivalents, and Investments (Continued)***

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2013, the District had \$676,446 in deposits (collected bank balances). These deposits are secured from risk by \$297,053 of federal deposit insurance and \$838,464 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

At December 31, 2012, the District had \$1,495,329 in deposits (collected bank balances). These deposits are secured from risk by \$1,495,329 of federal deposit insurance and \$1,022,070 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

The District deposits its cash with high quality financial institutions, and management believes the District is not exposed to significant credit risk on those amounts.

Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent bank has failed to pay deposited funds upon demand.

Under Louisiana Revised Statutes 39:2955, the District may deposit funds in demand deposit accounts, interest bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks, organized under Louisiana Law and National Banks having a principal offices in Louisiana. Additionally, Louisiana statutes allow the District to invest in United States Treasury obligations, obligations issued or guaranteed by the United States government or federal agencies, and mutual or trust funds registered with the Securities and Exchange Commission which has underlying investments consisting solely of and limited to the United States government or its agencies. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP). The carrying amount of the District's investment in LAMP was \$2,280,605 as of December 31, 2013 and \$2,454,501 as of December 31, 2012.

The District had \$50,843 (fair market value) as of December 31, 2013 and \$428,005 (fair market value) as of December 31, 2012 invested in bond mutual funds which had underlying investments consisting solely of United States government instruments. The LAMP and bond mutual funds have a maturity of less than 1 year.

WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2013 and 2012

***Note 6 - Cash, Cash Equivalents, and Investments (Continued)***

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA – R.S. 33:2955.

GASB Statement No. 40 Deposit and Investment Risk Disclosure, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7 like investment pools:

Credit risk: LAMP is rated AAAm by Standard & Poor's. The District does not have credit risk policies for investments.

Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The District does not have interest rate risk policies for investments.

Foreign currency risk: Not applicable to 2a7-like pools.

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

***Note 7 - Other Information***

The District had 3,903 and 3,860 active metered customers at December 31, 2013 and 2012, respectively.

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2013 and 2012**

***Note 8 - Capital Assets***

Capital asset activity for the year ended December 31, 2013, was as follows:

|   | Beginning<br>Balances | Increases    | Decreases | Ending<br>Balances |
|---|-----------------------|--------------|-----------|--------------------|
| Land  | \$ 113,486            | \$ -0-       | \$ -0-    | \$ 113,486         |
| Construction in Progress  | 49,088                | 1,274,509    | -0-       | 1,323,597          |
| Capital Assets Being<br>Depreciated:                              |                       |              |           |                    |
| Plant and Distribution System                                     | 13,379,633            | 109,832      | -0-       | 13,489,465         |
| Furniture, Fixtures, &<br>Equipment                               | 190,935               | 38,215       | 12,560    | 216,590            |
| Total Capital Assets being<br>Depreciated                         | 13,570,568            | 148,047      | 12,560    | 13,706,055         |
| Less Accumulated<br>Depreciation                                  | 6,967,585             | 361,575      | 12,560    | 7,316,600          |
| Total Capital Assets Being<br>Depreciated, Net of<br>Depreciation | 6,602,983             | (213,528)    | -0-       | 6,389,455          |
| Total Capital Assets, Net   | \$ 6,765,557          | \$ 1,060,981 | \$ -0-    | \$ 7,826,538       |

Capital asset activity for the year ended December 31, 2012, was as follows:

|   | Beginning<br>Balances | Increases    | Decreases  | Ending<br>Balances |
|---|-----------------------|--------------|------------|--------------------|
| Land  | \$ 113,486            | \$ -0-       | \$ -0-     | \$ 113,486         |
| Construction in Progress  | 130,048               | 49,088       | 130,048    | 49,088             |
| Capital Assets Being<br>Depreciated:                              |                       |              |            |                    |
| Plant and Distribution System                                     | 13,362,487            | 17,146       | -0-        | 13,379,633         |
| Furniture, Fixtures, &<br>Equipment                               | 178,075               | 12,860       | -0-        | 190,935            |
| Total Capital Assets being<br>Depreciated                         | 13,540,562            | 30,006       | -0-        | 13,570,568         |
| Less Accumulated<br>Depreciation                                  | 6,573,499             | 394,086      | -0-        | 6,967,585          |
| Total Capital Assets Being<br>Depreciated, Net of<br>Depreciation | 6,967,063             | (364,080)    | -0-        | 6,602,983          |
| Total Capital Assets, Net   | \$ 7,210,597          | \$ (314,992) | \$ 130,048 | \$ 6,765,557       |

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2013 and 2012**

**Note 9 - Deferred Compensation Plan**

The District offers its employees a defined contribution plan created in accordance with Internal Revenue Code Section 457. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. All District employees are permitted to contribute a portion of their salary to the plan. Contributions to the plan by employees equaled \$17,808 for the year ended December 31, 2013, and \$16,962 for the year ended December 31, 2012. The District makes a matching contribution to the plan up to 5% of the employee's compensation. Pension expense for 2013 and 2012 paid by the District was \$19,034 and \$15,067, respectively. This plan is administered by Hartford Life Insurance Company.

**Note 10 - Prior Year Balances**

Certain prior year amounts may have been reclassified to conform to current year presentation.

**Note 11 - Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

**Note 12 - Restricted Assets**

Restricted assets consist of cash, investments and tax receivables restricted for the retirement of the District's revenue bonds, general obligation bonds, and construction. Restricted assets consisted of the following as of December 31:

|                     | <u>2013</u>      | <u>2012</u>       |
|---------------------|------------------|-------------------|
| Construction        | \$ 49,708        | \$ 112,691        |
| Debt Services Funds | <u>42,720</u>    | <u>720,793</u>    |
|                     | \$ <u>92,428</u> | \$ <u>833,484</u> |

**Note 13 - Construction in Progress**

The District has one construction project in progress at December 31, 2013. The following is a schedule of that project:

|                                      | <u>Estimated<br/>Total Costs</u> | <u>Costs Incurred<br/>To Date</u> | <u>Estimated<br/>Completion Date</u> |
|--------------------------------------|----------------------------------|-----------------------------------|--------------------------------------|
| Existing Water Plant<br>Improvements | \$ 1,626,767                     | \$ 1,323,597                      | March 2014                           |

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2013 and 2012**

***Note 14 – Prior Period Adjustment: Change in Accounting Principle***

The District has adopted Statement No. 65 of the Governmental Accounting Standards Board – *Items Previously Reported as Assets and Liabilities*. This statement requires that amounts previously reported on the Statement of Net Position as deferred charges be recognized as expenses in the period they were incurred.

This change in accounting principle resulted in a \$39,907 increase in the Change in Net Position and a \$243,186 decrease in the Beginning Net Position on the December 31, 2012 Statement of Revenues, Expenses, and Changes in Net Position.

***Note 15 – Subsequent Events***

The District evaluated its December 31, 2013 financial statements for subsequent events through April 14, 2014, the date of the financial statements were available to be issued. The District is not aware of any subsequent events which would require recognition or disclosure in the financial statements.



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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners  
Waterworks District No. 9 of Ward 4  
of Calcasieu Parish, Louisiana  
Sulphur, Louisiana

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana's basic financial statements, and have issued my report thereon dated April 14, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana's internal control. Accordingly, I do not express an opinion on the effectiveness of Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, I identified certain deficiencies in internal control over financial reporting that I consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in item 2013-1 in the accompanying Schedule of Findings and Responses to be a material weakness.

Board of Commissioners  
Waterworks District No. 9 of Ward 4  
of Calcasieu Parish, Louisiana

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana's Response to Findings**

Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana's response to the finding identified in my audit is described in the accompanying Schedule of Findings and Responses. Waterworks District No. 9 of Ward 4 of Calcasieu Parish, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Steven M. DeRouen & Associates

Lake Charles, Louisiana  
April 14, 2014

**WATERWORKS DISTRICT NO. 9 OF WARD 4  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Schedule of Findings and Responses  
December 31, 2013**

**A. Summary of Independent Auditor's Results:**

1. Unqualified opinion on financial statements.
2. Material weakness in internal control – Refer to B.
3. No instances of noncompliance noted.

**B. GAGAS Finding:**

**Finding:** 2013-1 Financial Statement Reporting – The District relies on the auditing firm to assist in recording certain accruals and in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, I cannot be considered part of the District's internal control structure and because of limitations of the accounting staff; the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements. This is a repeat finding.

**Cause:** The District lacks the accounting staff to record all accruals and prepare the external financial statements and related disclosures.

**Recommendation:** None

**Response:** Management does not believe it would be cost effective to hire or contract the personnel necessary to resolve the above issue.

**C. Prior Year Findings:**

**Finding:** 2012-1 Financial Statement Reporting – The District relies on the auditing firm to assist in recording certain accruals and in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, I cannot be considered part of the District's internal control structure and because of limitations of the accounting staff; the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements. This is a repeat finding.

**Cause:** The District lacks the accounting staff to record all accruals and prepare the external financial statements and related disclosures.

**Recommendation:** None

**Response:** Management does not believe it would be cost effective to hire or contract the personnel necessary to resolve the above issue.